

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Public Programs Branch**

**RESOLUTION T-16955
September 22, 2005**

RESOLUTION

Resolution T-16955. Approval of the California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Expense Budget for July 1, 2006 Through June 30, 2007 to Comply with the Requirements of Public Utilities Code Section 270 (A).

Summary

This resolution adopts an expense budget of \$ 434.583 million for Fiscal Year (FY) 2006-07 for the California High Cost Fund-B (CHCF-B) program.

Background

In Decision (D) 96-10-066, the Commission established the CHCF-B program to provide universal service subsidy support in the high cost areas of SBC California, Verizon of California, Surewest Telephone, Citizens Telecommunications Company of California, and new carriers that become Carriers of Last Resort (COLR).

In October 1999, PU Code § 270-281 were codified as a result of the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677). § 270(b) requires that the monies in the CHCF-B and five other funds may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act.

On June 2, 2005, in compliance with Paragraph 4.a.1 of the CHCF-B AC Charter, the Chairperson of the CHCF-B Administrative Committee (AC) submitted, to the Director of the Telecommunications Division (TD), an expense budget for Fiscal Year (FY) 2006-07 (July 1, 2006 to June 30, 2006) in the amount of \$ 437.363 million. The Chairperson's

request was made in her personal capacity since the CHCF-B AC was unable to vote on this item for lack of a quorum of members without a conflict of interest.

Notice/Protests

Notice of the CHCF-B AC Chairperson's expense budget letter was published in the Commission Daily Calendar on August 5, 2005.

The Commission did not receive any protests or comments on this matter.

Discussion

Appendix A.1 displays the actual FY 2003-04, and adopted FY 2004-05 and FY 2005-06 budgets. At the time of this budget resolution, actual FY 2004-05 expenses were not available.

The itemized costs of this budget are attached as Appendix A.2 and are summarized below:

	<i>FY 2006-07 Proposed Budget (\$ million)</i>	<i>FY 2006-07 Adopted Budget (\$ million)</i>
Program Costs	\$ 432,735	\$ 432,735
Committee Costs	\$ 8	\$ 8
PUC Staff and Administrative Costs	\$ 1,840	\$ 1,840
Total Program Budget	\$ 434,583	\$ 434,583

1

We expect the present surcharge rate level of 2.43% to decrease in FY 2005-06. Assuming no reserve balance and a billing base of \$20.388 billion, the surcharge rate of 2.19% will be required to support the \$447.114 million appropriation adopted in the FY 2005-06 State Budget.

Comments

In compliance with PU Code § 311 (g), a notice letter was e-mailed or mailed on August 23, 2005 to the CHCF-B claimants, the CHCF-B AC, and the parties on the service list of R.95-01-020/I.95-01-021 informing these parties that this draft resolution is available at

¹ The FY 2006-07 budget proposed by TD represents a decrease of 2.8% over the FY 2005-06 appropriation of \$447.114 million

the Commission's website

<http://www.cpuc.ca.gov/static/industry/telco/proceedings/resolutions/index.htm>
and is available for public comments. In addition, TD informed these parties of the availability of the conformed resolution at the same website.

No comments were received by TD on this Resolution.

Findings

1. In October 1999, Public Utilities Code (PU) Code § 270-281 were codified as a result of the enactment of Senate Bill 669.
2. PU Code § 270(b) requires that the monies in California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Fund may only be disbursed pursuant to § 270-281 and upon appropriation in the annual Budget Act.
3. On June 2, 2005, the Chairperson of the California High Cost Fund – B AC, in her personal capacity, filed a CHCF-B AC Fund expense budget of \$437.363 million for July 1, 2006 through June 30, 2007. This budget was not voted on by the CHCF-B AC for lack of a quorum of members without a conflict of interest.
4. The proposed Expense Budget for the CHCF-B AC Fund for Fiscal Year 2006-07 of \$434.583 million, as set forth in Appendix A. of this resolution, is reasonable and should be adopted.
5. Copies of the notice letter advising parties of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site were e-mailed or mailed to the CHCF-B claimants, the CHCF-B AC, and the parties on the service list of R.95-01-020/I.95-01-021, on August 23, 2005.
6. The Telecommunications Division received no comments on this Resolution.

THEREFORE, IT IS ORDERED that:

1. The expense budget for the California High Cost Fund-B Administrative Committee Fund for Fiscal Year 2006-07 of \$434.583 million, as set forth in Appendix A.2 of this resolution, is adopted.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 22, 2005. The following Commissioners approved it:

STEVE LARSON
Executive Director

APPENDIX A.1
CALIFORNIA HIGH COST FUND B ADMINISTRATIVE COMMITTEE FUND
PROGRAM BUDGETS
All Amounts in (\$000)

Program Expenses	July 2003 - June 2004		July 2004-June 2005 ¹		July 2005-June 2006 ²		July 2006 - June 2007	
	Adopted per Res T-16794	Actual	Adopted per Res T-16794		Adopted per Res T-16883		Proposed	
a	b	c	d		f		g	
Expenses								
Program Costs								
1 Carrier Claim Payments ¹	\$ 475,000	\$ 460,739	\$ 433,000		\$ 443,000		\$ 431,000	
2 Carrier Claims for prior years	\$ 39,000	\$ 38,120						
3 Interest for Untimely Payments	\$ 1,000	\$ 5,017	\$ 1,000		\$ 1,000		\$ 1,000	
4 Other Program Services								
5 Other Legislative Mandated Programs/Other Program Payments			\$ -					
6 Audits	\$ 2,100	\$ 215	\$ 2,100		\$ 1,190		\$ 665	
7 Banking Fees ²	\$ 23	\$ 30	\$ 24		\$ 50		\$ 20	
8 Data Processing Automation ³	\$ -	\$ 6	\$ 50		\$ 50		\$ 50	
Administrative Committee Costs ⁴								
9 Administrative Committee-Per Diem	\$ 1	\$ -	\$ 1		\$ 3		\$ 2	
10 Administrative Committee-Travel and Others	\$ 1	\$ -	\$ 1		\$ 3		\$ 4	
11 Administrative Committee-Special Needs Accommodation and Teleconferencing			\$ -		\$ -		\$ 2	
PUC Staff and Admin Costs								
12 Inter-Agency Fee ⁵	\$ 3,347	\$ 3,327	\$ 2,588		\$ 2,600		\$ 1,245	
13 CPUC Staff and Administrative Costs ⁶	\$ -	\$ 143	\$ 103		\$ 555		\$ 595	
14 Total Program Expenses	\$ 520,472	\$ 507,597	\$ 438,867		\$ 448,451		\$ 434,583	

Notes

- 1 The FY 2004-05 State Budget appropriated \$482.384 million for the California High Cost Fund-B Administrative Committee Fund (Senate Bill 1113, Stats. 2004, Chapter 208).
2 The FY 2005-06 State Budget appropriated 447.114 million for the California High Cost Fund-B Administrative Committee Fund (Senate Bill 77, Stat. 2005, Chapter 38).

APPENDIX A.2
CALIFORNIA HIGH COST FUND B ADMINISTRATIVE COMMITTEE FUND
ADOPTED EXPENSE BUDGET FOR FISCAL YEAR (FY) 2006-07
All Amounts in (\$000)

Program Expenses			
<u>Expenses</u>			
Program Costs			
1	Carrier Claims (Current) ¹	\$	431,000
2	Carrier Claims for prior years		
3	Interest for Untimely Payments	\$	1,000
4	Other Program Services		
5	Other Legislative Mandated Programs/Other Program Payments		
6	Audits	\$	665
7	Banking Fees ²	\$	20
8	Data Processing Automation ³	\$	50
Administrative Committee Costs ⁴			
9	Administrative Committee-Per Diem	\$	2
10	Administrative Committee-Travel and Others	\$	4
11	Administrative Committee-Special Needs Accommodation and Teleconferencing	\$	2
PUC Staff and Admin Costs			
12	Inter-Agency Fee ⁵	\$	1,245
13	CPUC Staff and Administrative Costs ⁶	\$	595
14	Total Program Expenses	\$	434,583

Notes

1 Claim payments for FY 2006-07 are based on claim projections submitted by carriers in April 2005.

2 Based on estimated lockbox and other banking fees.

3 Based on estimated costs for SQL programming and maintaining the electronic filing and monitoring system.

4 Pursuant to D. 02-04-059, per diem and other costs are authorized for committee member attendance in the CHCF-B AC meeting.
It is assumed that there will be 4 meetings of the CHCF-B AC during FY 2006-07.

5 Based on estimate of pro-rata costs allocated to state service agencies, e. g. DGS, State Personnel Board, etc.

6 Based on estimate of CPUC CHCF-B staff and administrative costs.